MINUTES
of the
SECOND MEETING
of the
PUBLIC EMPLOYEE BENEFITS OVERSIGHT SUBCOMMITTEE
of the
LEGISLATIVE COUNCIL

August 8, 2005

State Capitol, Room 317
Santa Fe, New Mexico

The second meeting in 2005 of the Public Employee Benefits Oversight Subcommittee of the Legislative Council was called to order by Representative Ben Lujan, chair, on Monday, August 8, 2005, at 10:18 a.m. in Santa Fe in Room 317 of the State Capitol.

PRESENT	**ABSENT**
Rep. Ben Lujan, Chair	Sen. John T.L. Grubesic
Sen. Lidio G. Rainaldi, Vice Chair	
Sen. Dianna J. Duran	
Rep. Ted Hobbs	
Rep. Sheryl Williams Stapleton	

Advisory Members

Sen. Sue Wilson Beffort	Sen. Leonard Lee Rawson
Rep. Ernest H. Chavez	Sen. James G. Taylor
Rep. James Roger Madalena	Rep. Teresa A. Zanetti

Staff
Pamela Ray
Lisa Barsumian
Tim Crawford

Guests
The guest list is in the meeting file.

Monday, August 8

Handouts can be found in the original meeting file or in the library file at the Legislative Council Service.

PUBLIC SCHOOL INSURANCE AUTHORITY BENEFIT PLANS

Sammy Quintana, executive director, Christy Edwards, deputy director, and Robert Romero, comptroller, appeared on behalf of the Public School Insurance Authority (PSIA). After an introduction by Mr. Quintana and a general description of the types of benefit programs offered by PSIA, Ms. Edwards presented the details of the various plans.

There are 160 member agencies participating in PSIA. Members include:

- 88 of the 89 school districts;
- 50 charter schools;
- 18 other educational entities (e.g., TVI, Santa Fe Community College); and
- four self-pay groups such as board members or people receiving benefits pursuant to COBRA.

A list of affiliations of PSIA board members is in the handout on the third page following the cover sheet. The fourth page includes the names of the board members.

Funding for PSIA comes from appropriations by the legislature to the Public Education Department and Higher Education Department for insurance coverage. Employees' contributions are deducted from each paycheck and are pooled to pay for medical care provided to employees. The contribution is split between the employer and the employee, with the percentage paid by an employee increasing as the salary of the employee increases. At a salary level of $25,000, the percentage paid by the employee stabilizes at 40 percent of the total contribution. An employer can pay up to 80 percent of the contribution for employees if the employer elects to do so.

In 2006, it is anticipated that PSIA will receive $236 million in contributions and fees. Medical claims constitute 68 percent of the expenditures of PSIA. "Administrative service only" (ASO) fees are six percent of the expenditures of PSIA. A breakdown of other expenditures from PSIA income is on page 7 of the handout.

PSIA has an average annual increase in costs of 8.5 percent, compared to a national average increase of 12 to 14 percent. It was projected that prescription costs would rise by 16 percent in claims year (CY) 2005, but PSIA saw an increase closer to 6.5 percent.

The PSIA benefits fund balance in CY 2005 was about $23 million and is estimated to be about $17 million in CY 2006. A reserve fund of five to eight percent of the benefits fund is retained for extraordinary claim expenses. The fund reserve is anticipated to be $19 million for CY 2006.

As a member of the Interagency Benefits Advisory Committee (IBAC), PSIA saved $1 million in CY 2005 in fixed costs. Because IBAC has a total of 160,000 consumers participating in its members' programs, the four members are able to reduce the cost of their administrative contracts considerably for each member.

PSIA has contracted with Blue Cross/Blue Shield of New Mexico (BC/BS) and

Presbyterian (Pres) to administer its claims. There is a "high" and a "low" option in each plan. Thirty-one percent of PSIA employees chose Pres for their insurance administrator and 69 percent chose BC/BS. Both plans are emphasizing preventative care for employees and rates are set to encourage visits to a family practice doctor or other primary care physician over an emergency room visit or a visit to a specialist.

Prescription coverage has three tiers of copays. If a generic drug is prescribed or can be substituted, the copay is the lowest amount. If the drug prescribed has no generic or the physician explicitly requires a name-brand drug and the drug is listed on the formulary developed by Express Scripts, the copay is the mid-amount. The highest copay is for name-brand prescriptions that are not on the formulary and have no generic corollary. The copays charged for prescriptions that can be bought for three months at a time through the mail prescription service have a separate schedule of copay, that are also based on a three-tiered copay system.

Preventive care is encouraged by PSIA; however, in CY 2004, 77 percent of the women members used preventive health programs, while only 19 percent of men participate in preventive health programs. The "healthy vistas" program helps keep costs contained by providing comprehensive health management. A care guide, health risk assessments, disease and lifestyle management, a 24-hour nurse help line and wellness incentives are available to help manage a member's health care.

PSIA also has found that the most frequently used prescriptions are first, depression and anti-anxiety medications; second, Lipitor to control cholesterol; third, anti-inflammatory medications; and fourth, prescription contraceptives.

A three percent contribution rate increase will begin for members in October 2005. This will raise the cost per family to $945 per month for BC/BS. Most of this increase is being covered by using the reserves to reduce the impact on members.

Discussion included:

- why the percentages paid by the member and the employer top out at $25,000 rather than increasing the percentage paid for members with higher salaries;
- differences between rural and metropolitan reimbursement rates for providers;
- use of in-state and out-of-state contractors;
- why Gallup-McKinley schools are considering leaving PSIA;
- use of performance measures to switch members from reliance on anti-anxiety medications to increased exercise, prevention and education;
- who is able to claim the tax exemption for medical services;
- creation of the formulary for Express Scripts;
- how the delay in identifying new or any providers in smaller cities until the following year leaves many areas of the state without in-network providers;
- the relative benefits and risks of using reserves to cushion increases in member contributions rather than building reserves at the cost of increased contribution

burdens on members; and

- comparison with Risk Management Division programs to increase copays and coinsurance to keep contribution levels down rather than use reserves.

ALBUQUERQUE PUBLIC SCHOOLS BENEFITS PLAN

Tom Savage, deputy superintendent, Albuquerque Public Schools (APS), Andrea Tybus, director of human resources, APS, and Vera Dallas, director, Employees Benefits Division, APS, presented the benefits offered by APS.

After a brief introduction by Mr. Savage, Ms. Dallas provided the details of the APS plans. Two PPO plans are offered to employees of APS. The plans are administered by Cigna and Presbyterian. A primary care physician is not required, but out-of-network physicians require satisfaction of an initial deductible and then a coinsurance payment. Prescriptions are covered by Express Scripts. The dental plan is administered by United Concordia, which has 200 in-network dentists outside of Albuquerque and 400 in-network dentists within Albuquerque. Vision insurance is also offered. There are several other optional benefit plans that provide life insurance, long-term disability insurance and other various programs. Like other IBAC agencies, APS is self-insured. Because it is self-insured, APS (as well as other IBAC agencies) is able to raise its premium rate annually and does not contract to receive services for a set contract rate for a set contract period. APS anticipates its premiums will increase by six percent to nine percent in CY 2007. Right now, APS has insufficient reserves ($4 million) to be considered actuarially sound. The reserves for APS need to be $9 million. Current copays for the APS programs are less than those for PSIA.

ADJOURNMENT

The committee adjourned at 2:10 p.m.